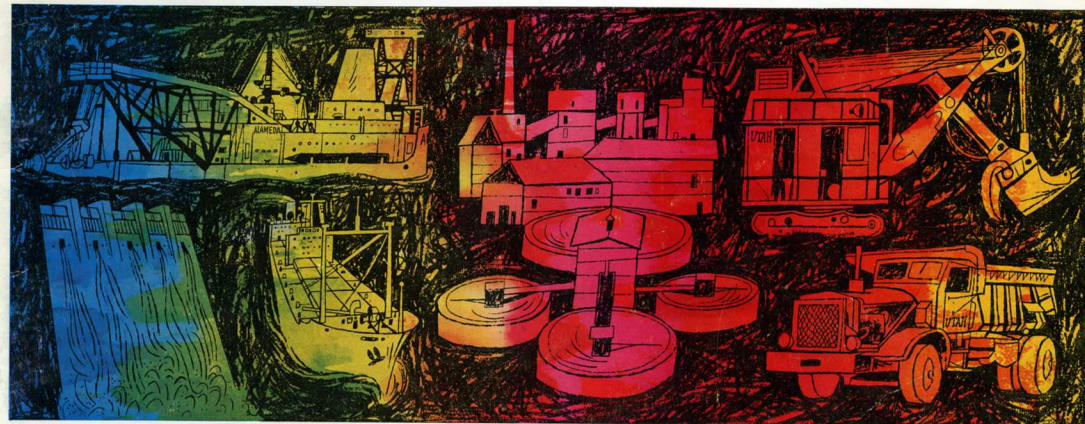
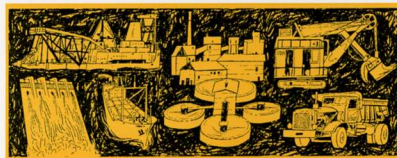


UTAH CONSTRUCTION & MINING CO. • SAN FRANCISCO, CALIFORNIA

UTAH CONSTRUCTION & MINING CO. • ANNUAL REPORT FOR 1959



UTAH CONSTRUCTION & MINING CO., 100 Bush Street, San Francisco, California



On the cover the artist has created a montage to symbolize the diversified operations of UTAH, its subsidiaries and affiliates. Depicted in the design are hydraulic dredging operations, employed in land reclamation and port development; dam construction, the integral factor of shipping in our affiliated Peruvian iron ore operations; engineering and construction of industrial plants; and the basic tools of strip mining operations.

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TO THE SHAREHOLDERS:

On behalf of your Board of Directors it is a pleasure to submit this Annual Report for the fiscal year ending October 31, 1959. Earnings were the highest in the 60-year history of the Company. Despite the work stoppage in the steel industry which adversely affected earnings in the fourth quarter of our fiscal year, improved results were achieved in all principal phases of the Company's activities in construction, mining, and land development.

Change in Name and Authorized Capital

On July 29, 1959, a Special Meeting of the Shareholders was called for the purpose of considering and acting upon

two proposed amendments to the Certificate of Incorporation:

- 1) That the name of the Company be changed to Utah Construction & Mining Co., and
- 2) That the authorized capital stock of the Company be increased from 2 million shares to 10 million shares, the par value remaining unchanged at \$2.00 per share.

Both proposals were approved by the shareholders and became effective on August 10, 1959.

In announcing these proposed amendments the Board explained that the new corporate name would be more fully descriptive of the Company's present operations since mining activities, both domestic and foreign, now provide a major share of its income. With regard to the increase in the authorized capital stock, the Board explained that possible future uses of these new shares could include stock dividends, mergers with or acquisition of other companies, and a public offering.

Parent Company Earnings

Earnings of the Company reached a new high of \$4,337,969, after provision for income taxes, or \$2.43 per share. This compares with \$1,907,718 and \$1.07 per share earned during the 1958 fiscal year. Previously, earnings records were established successively in 1956 and 1957 respectively.

Results from construction work performed by the parent company were disappointing for the year. The volume of work performed was relatively low, and much of our construction equipment was idle as a consequence. Our results from domestic construction continued to be



adversely affected by losses reported by certain joint ventures on the St. Lawrence Seaway project in which our company was a participant.

The mining activities of the parent company in domestic iron and coal mining operations were conducted at record levels for the first three quarters of the fiscal year in Utah and Arkansas respectively, until the steel industry was shut down in early July 1959. Despite the fact that no shipments of iron ore or coal were made to steel mills in the last quarter, excellent earnings were achieved for the year.

The Land Development Program made a very substantial addition to 1959 parent company earnings. Major contributors to this result were the continuance of a satisfactory tempo of residential land sales at the Moraga, California project and the gratifying demand by industrial customers for acreage in the Company-owned and developed South San Francisco Industrial Park.

Subsidiary and Affiliated Companies

2 During fiscal 1959, the parent company's share of the undistributed earnings of subsidiary and affiliated companies

in which it has investments amounted to \$2,853,596 after an allowance for dividends paid and for income taxes payable upon the distribution of the remaining earnings to the parent. This is equivalent to \$1.59 for each share of stock of Utah Construction & Mining Co. outstanding at the year-end and compares with \$1,411,826 or \$0.79 a share earned for the previous year on the same basis of comparison.

The record-breaking achievement recorded this year is mainly attributable to the efficient and successful results attained by our 60% owned affiliate, Lucky Mc Uranium Corporation, which mines and mills uranium near Riverton, Wyoming. The results of foreign iron mining and shipping operations carried on through affiliated companies were considerably lower than the previous year as a result of the continuing depression in the international shipping market coupled with the generally low operating rate of the world steel industry during the first half of our fiscal year. Subsidiaries engaged in foreign construction activities were operated in the aggregate on a profitable basis in 1959.

Overall Results

Combining the earnings of the parent company and its share of the undistributed earnings of subsidiaries and affiliated companies, as reported above, reflects an overall profit showing for the year just ended of \$7,191,565 or \$4.02 for each share of parent company stock then outstanding. This compares with \$3,319,544 or \$1.86 per share for the previous year. Overall 1959 operations exceeded the former overall company record of \$5,421,955 or \$3.04 a

share reported for fiscal 1957. All three major categories of the Company's operations contributed to this sharp improvement in earnings.

Dividends

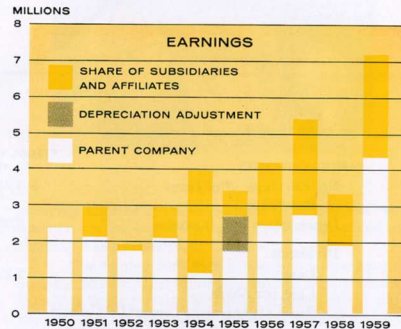
Cash dividends paid from 1959 earnings were the highest in the Company's history, amounting to \$2,229,951 or \$1.25 per share. This compares to a cash payment in fiscal 1958 of \$712,210 which, when added to the cash equivalent of three dividends in stock of Permanente Cement Company also distributed, equaled \$1.18 per share.

Financial Condition and Shareholders' Equity

Of the \$26 million of long-term line of credit available to the Company at the year end, as provided by a loan agreement drawn in 1958 with a group of major U. S. banking institutions, \$21 million had been taken down. This credit is available in declining total amounts through October 1963. Net working capital at October 31, 1959 was \$6,733,196 as compared with \$6,908,834 for the previous year. It is the management's opinion that working capital in combination with unused lines of credit available is fully adequate to meet the planned requirements of the Company and its subsidiaries. Additionally, a substantial incoming cash flow is anticipated from a number of projects maturing in 1960, which cash can be applied to reduction

THE YEAR IN BRIEF

| PARENT COMPANY: | FISCAL YEARS ENDING OCT. 31, | |
|---|------------------------------|--------------|
| | 1959 | 1958 |
| Net Earnings, after taxes | \$ 4,337,969 | \$ 1,907,718 |
| Per Share | 2.43 | 1.07 |
| Depreciation and Depletion | 2,008,183 | 2,215,355 |
| Dividends: | | |
| Cash | 2,229,951 | 712,210 |
| Cash per Share | 1.25 | .40 |
| Stock (Permanente Cement Co.) at cost | | 87,506 |
| at market | | 1,388,810 |
| Equivalent Cash per Share | | .78 |
| Income Taxes | 600,000 | 1,100,000 |
| Net Working Capital | 6,733,196 | 6,908,834 |
| Shareholders' Equity | 27,876,243 | 25,488,725 |
| Per Share | 15.60 | 14.32 |
| Shares Outstanding | 1,787,325 | 1,780,525 |
| OVERALL EARNINGS: | | |
| UTAH and its share of subsidiaries and affiliates | 7,191,565 | 3,319,544 |
| Per share of UTAH | 4.02 | 1.86 |
| UTAH'S SHARE OF NON-CASH CHARGES OF: | | |
| Subsidiaries | 1,012,000 | 1,063,000 |
| Affiliates | 3,234,000 | 1,657,000 |



of bank loans if such procedure then appears to be in the best interests of the Company.

Net Worth or Shareholders' Equity continued to increase during 1959 and at the year end, as shown on the accompanying audited financial statements, amounted to \$27,876,243 or \$15.60 per share. This compares with \$25,488,725 or \$14.32 a share for the preceding year. These figures are based upon carrying our investments in subsidiary and affiliated companies on our statements at actual cost with no adjustment or credit shown for our share of the increase in the respective net worths of these companies since initial acquisition or investment.

A valuation of our investments in other companies based on market value in case of Lucky Mc of \$4.625 per share, and our share of the net worths for other companies would approximate \$31,861,000 or \$28,324,000 more than is indicated on the accompanying financial statements. The

tabulation of this figure follows and it is exclusive of any increases in value over cost relating to real estate, mineral reserves, or other assets owned or controlled in part by the company although such assets are believed to have marketable values substantially in excess of cost.

| | 1959 | 1958 |
|---|--------------|--------------|
| Lucky Mc Uranium Corporation . . . | \$16,829,000 | \$16,829,000 |
| Other mining, construction and land development companies . | 15,032,000 | 13,973,000 |
| Indicated value . . . | \$31,861,000 | \$30,802,000 |
| Cost . . . | 3,537,000 | 2,902,000 |
| Difference . . . | \$28,324,000 | \$27,900,000 |

Employees

Through its program of employee benefits the Company continues to provide protection to employees by means of the Group Insurance Plan and the Retirement Plan.

A net charge of \$620,000 was made against profits from 1959 operations to fulfill the Company's commitment to the employees' Retirement Plan Based on Profit Sharing according to the Plan's contribution formula. Actually a maximum allowable cash disbursement, equal to 15% of participating payroll, will be paid to the Plan for the 1959 fiscal year in the amount of \$532,600.

During the year 647 permanent employees and their families were covered under the Group Insurance Plan which affords coverage for hospital, surgical, medical, polio and accident benefits. The face amount of life insurance in

effect under the Plan amounted to \$5,477,000 on policies ranging from \$2,000 to \$20,000. 653 claims for hospital and medical benefits totaling \$49,881 were paid to employees and their families. The 1959 cost for this coverage was \$137,381 or \$212.34 for each employee covered.

Also in early 1959 thirteen additional employees were offered the privilege of purchasing shares of the Company on the installment basis. Accordingly, 6,800 shares were sold to such individuals at a price of \$40.00 a share, the market price when the sale was consummated.

Other Financial Comments

Depreciation and amortization charges against parent company income amounted to \$2,008,183 in 1959 and \$2,215,355 in 1958. In both years the declining balance method was used, which resulted in charges of \$348,453 in 1959 and \$575,629 in 1958 over amounts that would have been charged on the straight line basis.

Federal Income Tax returns for the parent and its subsidiaries are filed separately by individual companies rather than on a consolidated basis. Returns for the parent have been examined through 1956. Adequate reserves, in the opinion of the management, have been established for any additional Federal Income Tax liability which may be ultimately assessed.

The Year Ahead

In considering the prospects for 1960, there are certain adverse developments that must be weighed. Earnings

from uranium will decline because operations for the full year will be under the contracts with the Atomic Energy Commission that provide for lower prices and lower volume than were in effect for the greater part of the preceding year. A second factor is the limited profit potentialities of our existing work backlog in construction. Thirdly, in a period of tight money it may be difficult to duplicate the excellent results achieved in our land development activities during 1959. Despite these handicaps that must be overcome, we anticipate improved earnings from our iron ore and shipping activities if no further work stoppage in the steel industry is experienced. On balance we are hopeful that during the year we may continue to report earnings that will approach and perhaps surpass the excellent results achieved in the year just ended. If we are to achieve this objective we must continue to enjoy the same loyal and efficient support of our employees that characterized their performance during the past year and for which we are duly grateful.

We report with profound regret the death of Mr. William H. Harris on November 28, 1959. Mr. Harris, a business and community leader in Utah and a Director of our Company, was an untiring and devoted person who made a substantial contribution to the growth and guidance of the Company through the years.

Sincerely,

Marriner S. Eccles
MARRINER S. ECCLES,
Chairman of the Board

Allen D. Christensen
ALLEN D. CHRISTENSEN,
President

December 15, 1959



CONSTRUCTION ACTIVITIES

Utah Construction & Mining Co. engages, on a world-wide basis, in most categories of heavy construction and engineering operations such as railroads, highways, tunnels, dams and powerhouses, industrial plants, commercial buildings, dredging and port development operations. In many areas of industrial activity the Company offers a complete turn-key service, that is design, process and plant engineering and construction. Operations are performed by the parent company, a number of wholly-owned subsidiaries, and in joint venture association with other major contracting companies.

Domestic Operations

During 1959 UTAH's domestic construction activities included a challenging and diversified list of projects for major U. S. industrial and public utility companies, and city, state and federal agencies. Representative of the varied assignments performed in 1959 were a 3.2 mile railroad tunnel for Kennecott Copper Corporation, 7 and 7½ mile power tunnels for Pacific Gas & Electric Company and Southern California Edison respectively, launching pads and related facilities at an Air Force missile base, and hydraulic dredging operations for U. S. Corps of Engineers, Port of Oakland, California, and City of Long Beach, California. Completed during 1959 were the St. Lawrence Seaway projects and Table Rock Dam and Powerhouse in which we held a joint venture participation.

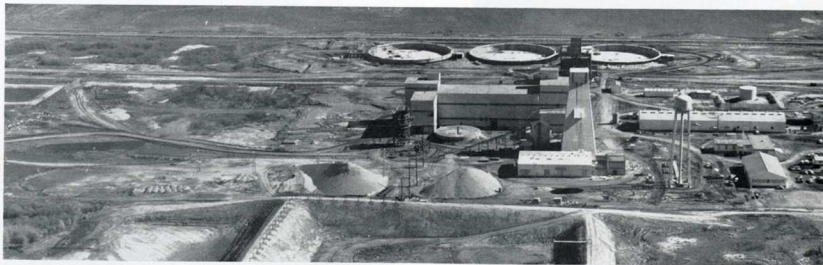


Pictured above is our 30-inch hydraulic dredge ALAMEDA passing through the Panama Canal in August 1959 en route to an assignment to deepen and dredge a segment of the ship channel in the Delaware River, a project sponsored by the U. S. Corps of Engineers. The ALAMEDA has a self-contained 12,500 KW power plant and is not dependent on availability of shore power. The 30-inch dredge FRANCISCAN is currently employed by the Port Authority of the City of Long Beach, California, in a harbor expansion and improvement project.

At far left is shown primary drilling and mucking operations involved in driving a 7½-mile concrete-lined power tunnel including construction of an intake structure and a gate shaft for Southern California Edison Company through mountainous terrain east of Fresno, California. This \$12,500,000 tunnel, awarded UTAH by competitive bid in 1958, is one phase of the vast Mammoth Pool Power Project, and was completed by our Company in December 1959.

Shown at the right is a comprehensive aerial view of a 1,500-ton-per-day carbonate leach uranium ore processing mill engineered and constructed by UTAH for Homestake-Sapin Partners near Grants, New Mexico. The facility went on stream in mid-1958 or 16 months from drawing board to operating status. Completion of certain auxiliary facilities, including a powerhouse, extended into early 1959. Also included in UTAH's overall responsibility was the sinking of three mine shafts to the ore bodies below.

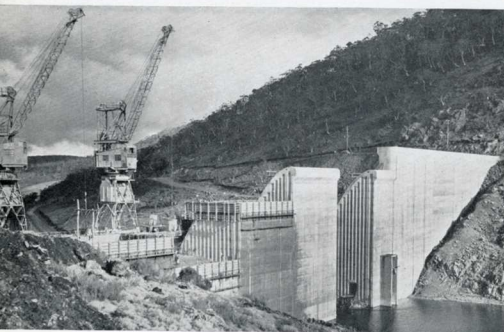




Since mid-1957 our subsidiary, Utah Co. of the Americas, has been employed in the engineering and construction of a multi-million-dollar potash refinery including a 3,000-foot mine shaft and related mine surface facilities near Esterhazy, Saskatchewan, Canada for International Minerals & Chemical Corporation (Canada) Ltd. The aerial view above shows the virtually completed surface facilities.

200 miles southwest of Sydney, Australia, our subsidiary, Utah Australia Limited, is constructing Tantangara Dam on the Murrumbidgee River, pictured here, and the 10½-mile Murrumbidgee-Eucumbene Diversion Tunnel under contract with the Snowy Mountain Hydroelectric Authority. The height of the dam will be 152 feet; the width ranges from 140 feet to 10 feet from base to crest respectively. Recently, tunnel driving has been progressing at a rate approaching 1,100 feet per week from two headings, a record achievement in this type of operation.

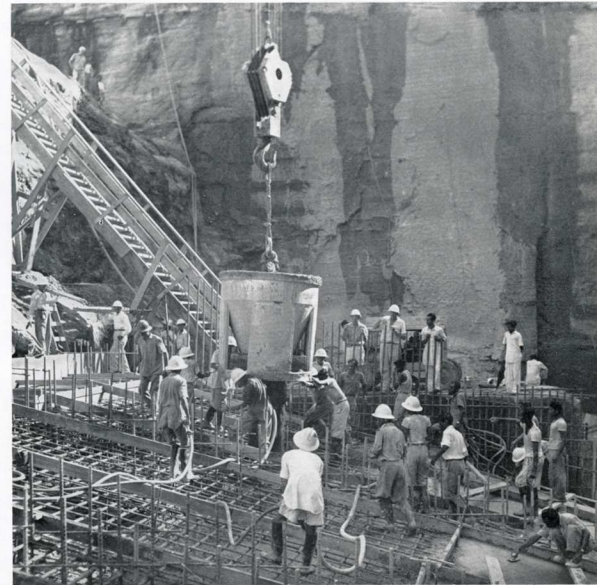
At the extreme right is shown a concrete foundation-placing operation for a power plant in progress in East Pakistan. Here, 45 miles above the confluence of the Karnafuli River with the Bay of Bengal, our subsidiary, Utah International, Inc., is engaged in a \$50,000,000 hydroelectric project which includes a dam, spillway, and 120,000 KW capacity power plant for the Government of Pakistan.



International Operations

Through a number of wholly-owned subsidiaries, alone or in association with other contractors, UTAH in 1959 rendered construction and engineering services in 13 countries on the six world continents. In Latin America we are participating in or managing the construction of hydroelectric facilities in Ecuador and Brazil, river control and land reclamation in Mexico, and in 1959 completed the huge copper processing plant for Southern Peru Copper Corporation. Commencing in 1960 we will design and construct a \$22 million iron ore beneficiation plant in Peru for our affiliate, Marcona Mining Company. In the Far East UTAH is also engaged in hydroelectric project construction in Thailand and East Pakistan.

In Australia, our subsidiary, Utah Australia Limited, has booked an encouraging volume of diversified contracts which include a dam and two tunnels for the Snowy Mountain Hydroelectric Authority, a petrochemical plant, a bridge, stripping operations, and other industrial assignments. In mid-1959 an important multimillion-dollar railroad contract in the Republics of Congo and Gabon (formerly French Equatorial Africa) was awarded to a UTAH-sponsored group of international contractors by Compagnie Minière de l'Ogooué of which U. S. Steel is the largest stockholder.





In Melbourne, Australia, our subsidiary, Utah Australia Limited, is erecting a two-level, one-mile structure over the Yarra River known as the King Street Bridge. This project (immediate left), when completed, will ease traffic congestion at one of Melbourne's busiest intersections. Shown here is a steel reinforcing cage being lowered into one of a series of 5-foot diameter caissons, some of which were driven as much as 200 feet below the surface of the river.

On the San Pedro River near Quito, Ecuador, Utah International, Inc. is constructing under contract with Empresa Electrica "Quito" S. A. a \$6,000,000 hydroelectric project which includes a diversion dam, tunnel and 40,000 KW powerhouse. Pictured at the extreme left is the tunnel-driving operation in the 5½-mile tunnel with an 11½-foot inside diameter.

At the left is shown excavation operations in one of two 37-foot diameter diversion tunnels in connection with Bumiphol Dam and Power Plant, 400 miles northwest of Bangkok, Thailand. This job, a \$23,000,000 portion of the Yankee Power and Irrigation Project, is being performed by a joint venture in which Utah International is a 40% partner.

At the right is shown a comprehensive aerial view of a major portion of the \$200,000,000 Southern Peru Copper Corporation installation constructed by our subsidiary, Cia. Utah Pacific Ltd. This project, situated in the Andes Mountains in Peru, encompassed construction of a completely integrated multi-plant copper mine, mineral processing facilities and port work at Ilo, Peru. Also included were two town sites, a railroad and highway between port and plant, 45,000 KW power plant, and water storage facilities. The project was completed in 1959 eight months ahead of schedule.





MINING ACTIVITIES

Utah Construction & Mining Co. is engaged directly in the mining of iron ore, coal, and uranium. Through affiliated companies it is also involved in mining iron ore in Peru, and copper and uranium in the United States.

During 1959 the parent company's mining income was derived from its Iron Springs Mine near Cedar City, Utah (see below) and its metallurgical coal mine near Ozark, Arkansas (see right). A substantial portion of the iron ore from Iron Springs is sold to the Columbia-Geneva Division of United States Steel Corporation under a long-term contract with nine years to run. The metallurgical coal from Ozark is sold to Colorado Fuel and Iron Co. under contract expiring in early 1960.



During 1959 the Company began the sinking of a 400-foot shaft in the Shirley Basin area of Wyoming where the Company has large uranium ore reserves averaging in excess of 0.5% uranium oxide. This property has received an AEC allocation of 256,000 pounds of uranium oxide yearly through March 1962 and 350,000 pounds thereafter until December 31, 1966. The Shirley Basin Field is one of the most significant uranium discoveries in recent years and our Company holds about one-half of the presently known reserves in that area.

Utah Construction & Mining Co. continues to carry on a vigorous exploration and development program and

has under its control a number of other mineral properties that should prove valuable in the future. Perhaps the most significant of these is the large coal deposit under lease from the Navajo Tribe of Indians near Farmington, New Mexico. While no contract has yet been signed, our company is in substantial agreement with a major public utility under which we will sell BTU's to a generating plant for a 35-year period. Finalization of the agreement is dependent upon certain negotiations now in progress between the Navajo Tribe and the utility company.

The management anticipates that mining income will increase in 1960 and subsequent years.



Pictured on these pages is a sequence of developmental operations at Moraga Valley—raw land; grading and installation of streets and utilities; completed and occupied homes.

LAND DEVELOPMENT AND SPECIAL VENTURES

Utah Construction & Mining Co. directly or through subsidiary and affiliated companies is engaged in the purchase, development, and resale of land for industrial, commercial, or residential purposes. Among its more important active holdings are:

MORAGA VALLEY. The Company owns over 4,000 acres in the Moraga Valley a few miles east of Oakland, California. This extensive land holding is strategically located to benefit by the growth of the San Francisco Bay Region and is being developed at a patient pace designed to achieve maximum project profits.

SOUTH SAN FRANCISCO INDUSTRIAL PARK. In South San Francisco the Company has created an industrial park by a leveling and filling operation that rendered more valuable the hilly land and marsh land originally purchased. 107 acres were sold during the year and an additional 40 acres were improved, leaving about 135 acres remaining unsold at the year end. The 1959 sales were above our average expectations and resulted in an unusually good profit for the year.

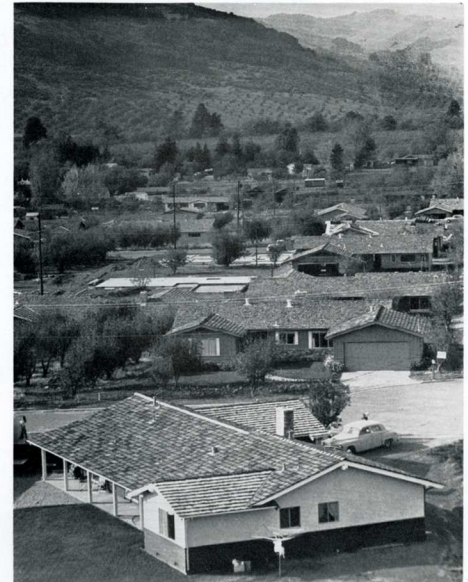
ALAMEDA. Through two wholly-owned subsidiaries our Company has important land holdings in the City of Alameda. This land was created by dredging sand from the San Francisco Bay. **SOUTH SHORE CENTER, INC.** is the owner of a shopping center having a building area of 280,000 square feet and land area of 65 acres. **SOUTH SHORE LAND CO.** owns 335 acres which it is developing as residential lots for resale to residential builders. Lot sales quickened as the year progressed and the first unit developed had been largely sold or committed at the end of the year. Additional lots will be readied for sale as market demand dictates.

VANDENBERG VILLAGE. During 1959 through a wholly-owned subsidiary we have acquired the right to develop for real estate purposes some 3,000 acres of land adjoining the Vandenberg Air Force Base. The initial 100 lots have been sold and future demand seems promising because of proximity to this missile-testing base.

PAUMA VALLEY. Through a wholly-owned subsidiary we acquired approximately 1,100 acres of land in the Pauma Valley at the foot of Mt. Palomar in Southern California. It is anticipated that this land will be developed for residential and recreational purposes. The focal point of the project will be an 18-hole golf course designed by Robert Trent Jones, which is now under construction.

In addition to the foregoing, we hold equity interests in a number of pieces of improved real estate where structures ranging from office buildings to grain elevators have been constructed and are under lease.

The land activities have been a source of substantial profit in the past and should continue so in the future, although it may prove difficult in 1960 to reach the record high earnings realized in 1959.





During 1956, on the south shore of Alameda, bordering on San Francisco Bay, UTAH converted 375 acres of partially submerged tidelands into prime residential and semi-commercial property by hydraulic dredging methods. Since that date UTAH has subdivided the property, constructed lagoons, installed street improvements and utilities, and sold portions of this property to individuals and custom builders.

Above is a view of an arcade area in the 66-acre South Shore Shopping Center that has been established on the property. UTAH constructed all buildings in the Center, leased them to national and local merchandising firms, and through a wholly-owned subsidiary continues as owner-manager of the enterprise.

Pictured at the left is an interior portion of the steadily growing residential area. In addition to this type of building site, there are extensive marina locations overlooking the San Francisco Bay and others bordering on the lagoons that extend through the property.



In Atlanta, Georgia, UTAH is a 50 percent participant in a joint venture constructing an \$8,800,000 Communicable Disease Center for the General Services Administration. This project is scheduled for completion in June of 1960, and will be used jointly by the U. S. Public Health Service and Emory University for advanced research on and treatment of communicable diseases.

BOARD OF DIRECTORS

MARRINER S. ECCLES, *Chairman*
MARRINER A. BROWNING
ALLEN D. CHRISTENSEN
LESTER S. COREY
LAWRENCE T. DEE
GEORGE S. ECCLES
WILLIAM H. HARRIS, *Deceased, November 28, 1959*
EDMUND W. LITTLEFIELD
WILLIAM R. KIMBALL, JR.
SHEPARD MITCHELL
PAUL L. WATTIS

EXECUTIVE COMMITTEE

MARRINER S. ECCLES
ALLEN D. CHRISTENSEN
EDMUND W. LITTLEFIELD

OFFICERS

ALLEN D. CHRISTENSEN, *President*
EDMUND W. LITTLEFIELD, *Executive Vice President and General Manager*
CHARLES S. DAVIS, *General Vice President, Construction Division*
FRANK M. KELLER, *General Vice President, Land Development Division*
J. ANTHONY MECLA, *General Vice President, Mining Division*
CHARLES E. MCGRAW, *Special Vice President, Construction Division*
ALBERT L. REEVES, *Special Vice President, Administration*
GUY V. SPERRY, *Special Vice President, Construction Division*
JOHN M. HERRIGAN, *Secretary and Controller*
ORVILLE L. DYKSTRA, *Treasurer*
FRANK W. ROLLINS, JR., *Assistant Treasurer*

*In 1959 the construction,
mining, exploration
and land development
activities of UTAH and its
subsidiaries were conducted
in 13 countries on six
world continents.*



TRANSFER AGENTS

First Security Bank of Utah, N. A., Salt Lake City
Crocker-Anglo National Bank, San Francisco

GENERAL COUNSEL

Pillsbury, Madison & Sutro, San Francisco

INDEPENDENT ACCOUNTANTS

Arthur Andersen & Co., San Francisco

EXECUTIVE OFFICES 100 Bush Street, San Francisco



Mine and mill of Lucky Mc Uranium Corporation

AFFILIATED COMPANIES

LUCKY MC URANIUM CORPORATION. Utah Construction & Mining Co. owns 60% of the capital stock of Lucky Mc Uranium Corporation. This company has a mill and substantial uranium ore reserves in the Gas Hills District of Wyoming and was honored by receiving *Mining World's* award "for the open pit mine of 1958."

For the 12 months ending October 31, 1959 the corporation earned \$3,949,300, of which UTAH's share was \$2,369,600. UTAH's share of the amortization and depreciation charges against earnings for this period are calculated at \$1,445,000. Payments on the bank loan during the past 12 months amounted to \$5,915,000, leaving an unpaid balance of \$1,871,000 as of October 31, 1959, and the Company should be able to retire the balance of the loan during the first half of 1960.

Lucky Mc signed a new contract with the United States Atomic Energy Commission covering the period July 1, 1959 to December 31, 1966. While the new contract involves lower average prices, it extends the term of the contract from 1962 to 1966 and increases the quantities of uranium oxide which the Atomic Energy Commission

agrees to purchase. The company has proven ore reserves well in excess of its contractual commitments, and exploration and development work during the year gave encouraging indications that potential ore reserves can be materially expanded by further drilling.

MARCONA MINING COMPANY. Our Company owns 41¼% of the equity stock and 50% of the voting stock of Marcona Mining Company, a western hemisphere trade corporation engaged in the mining of iron ore in Peru. For the 12 months ending October 31, 1959 Marcona reported profits of \$2,852,843 after non-cash charges of \$1,921,000. UTAH's share of these earnings amounted to \$1,176,806, a decline of \$825,525 from the previous year. Earnings were adversely affected by the steel strike in the United States and by pressure on profit margins resulting from depressed conditions in the charter market.

Earnings in 1960 are expected to improve markedly because of higher shipments and better margins.

Marcona is undertaking the installation of beneficiation facilities and the Board of Directors has appropriated \$21.9 million for this purpose. The initial program contemplates a 3-mile conveyor, a new pier, and crushing and concentrating facilities designed to treat the large

quantities of ore requiring beneficiation before it is sold. This program will be financed in part by loans of \$12 million from the Export-Import Bank of Washington and private U. S. commercial banks with the balance furnished by the company from retained earnings. To date \$5,411,000 has been expended by the company which is indebted to the commercial banks in the amount of \$1,600,000 as of October 31, 1959.

As conditions warrant, Marcona may find it desirable to expand further its beneficiation facilities in order to increase its sales and to avail itself more fully of its primary ore reserves.

CIA. SAN JUAN S. A. Utah Construction & Mining Co. also owns 41¼% of the equity stock and 50% of the voting stock of Cia. San Juan S. A., a Panamanian company engaged in the sale and ocean transportation of Peruvian iron ore under a contract with the Marcona Mining Company. Shipments of iron ore and other bulk commodities are made in vessels chartered in the world market and from a wholly-owned subsidiary, San Juan Carriers, Ltd., which owns 5 vessels with a deadweight carrying capacity of 176,200 tons.

Cia. San Juan's consolidated earnings for the 12 months ending October 31, 1959 were \$2,584,586, of which

SAN JUAN TRAVELER passing through the Panama Canal



Pima Mining Company's open pit copper mine

UTAH's share was \$1,066,554, an increase of \$22,834 over the preceding year. Cia. San Juan was able to maintain its earnings despite the serious decline in the charter market because the *San Juan Merchant* and the *San Juan Traveler* were added to the fleet and were in service for part of the year. Ore shipments for 1959 totaled 2,844,249 tons, an increase of 6% over the comparable period last year. Non-cash charges for the 12 months ending October 31, 1959 amounted to \$1,185,000. San Juan Carriers, Ltd. is indebted to commercial banks in the amount of \$13,303,083 which represents the unpaid balance of funds borrowed to finance the purchase of vessels having an original cost of \$29,418,416.

PIMA MINING COMPANY. Our Company owns 25% of the capital stock of Pima Mining Company which is engaged in the mining and milling of copper ore from a mine located in Arizona. Pima's earnings for the 12 months ending October 31, 1959, after non-cash charges of \$1,473,000, were \$927,484 of which UTAH's share was \$231,871. Earnings during the last two months of the period were depressed by a smelter strike which prevented Pima from selling its concentrates, even though Pima's operations were not interrupted by any labor dispute between the company and its employees.

BALANCE SHEETS--October 31, 1959 and 1958

| ASSETS | | 1959 | 1958 |
|--|--|---------------------|---------------------|
| CURRENT ASSETS: | | | |
| Cash | | \$ 3,079,329 | \$ 3,278,672 |
| Receivables— | | | |
| Construction, land and mining accounts | | 3,957,330 | 3,810,864 |
| Other notes and accounts | | 2,612,941 | 3,849,976 |
| Inventories, at the lower of cost or market— | | | |
| Construction materials and supplies | | 529,364 | 973,391 |
| Iron ore and coal | | 564,444 | 389,591 |
| Total current assets | | <u>\$10,743,408</u> | <u>\$12,302,494</u> |
| INVESTMENT IN AFFILIATED COMPANIES: | | | |
| Capital stocks and receivables, at cost (Note 1)— | | | |
| Wholly-owned subsidiaries | | \$ 8,743,247 | \$ 5,706,669 |
| Other affiliated companies | | 3,045,872 | 2,205,272 |
| Interest in joint ventures | | 1,419,992 | 1,716,241 |
| | | <u>\$13,209,111</u> | <u>\$ 9,628,182</u> |
| INVESTMENT IN LAND AND OTHER ASSETS: | | | |
| Land held for development and sale | | \$ 5,038,725 | \$ 5,312,176 |
| Land held for investment | | 717,188 | 818,619 |
| Reclamation District bonds | | 3,502,800 | 3,523,500 |
| Capital stock and receivables of land development companies (Note 1) | | 10,230,845 | 7,032,844 |
| | | <u>\$19,489,558</u> | <u>\$16,687,139</u> |
| Long-term receivables | | 1,543,191 | 1,171,032 |
| Facilities on construction projects less accumulated amortization | | 650,718 | 930,073 |
| Prepaid expenses and other assets | | 610,717 | 1,080,572 |
| | | <u>\$22,294,184</u> | <u>\$19,868,816</u> |
| PROPERTY, PLANT AND EQUIPMENT, AT COST: | | | |
| Land, buildings and improvements | | \$ 750,809 | \$ 785,829 |
| Mining properties | | 2,834,129 | 2,538,309 |
| Equipment | | 14,760,993 | 16,956,016 |
| Furniture and fixtures | | 491,908 | 485,000 |
| | | <u>\$18,837,839</u> | <u>\$20,765,154</u> |
| Less—Accumulated depreciation and amortization | | 11,228,446 | 11,322,587 |
| | | <u>\$ 7,609,393</u> | <u>\$ 9,442,567</u> |
| | | <u>\$53,856,096</u> | <u>\$51,242,059</u> |

| LIABILITIES AND STOCKHOLDERS' EQUITY | | 1959 | 1958 |
|--|--|---------------------|---------------------|
| CURRENT LIABILITIES: | | | |
| Current installments of notes and contracts payable | | \$ 69,240 | \$ 152,097 |
| Accounts payable | | 1,723,201 | 2,964,661 |
| Accrued liabilities | | 1,129,987 | 1,230,671 |
| Accrued Federal income taxes | | 1,087,784 | 1,046,231 |
| Total current liabilities | | <u>\$ 4,010,212</u> | <u>\$ 5,393,660</u> |
| LONG-TERM LIABILITIES: | | | |
| Bank loan, due on or before October 31, 1963 | | \$21,000,000 | \$17,500,000 |
| Non-current portion of notes and contracts payable, due in variable annual installments to January 4, 1965 | | 683,915 | 863,332 |
| Advance billings on long-term construction contracts | | — | 1,717,839 |
| Reserve for employees' retirement plan based on profit-sharing | | 285,726 | 278,503 |
| | | <u>\$21,969,641</u> | <u>\$20,359,674</u> |
| STOCKHOLDERS' EQUITY: | | | |
| Capital stock, par value \$2 per share— | | | |
| Authorized—10,000,000 shares (17,750 shares reserved for issuance under Employees' Stock Purchase Plan) | | | |
| Issued and outstanding—1,787,325 shares | | \$ 3,574,650 | \$ 3,561,050 |
| Paid-in surplus | | 851,250 | 585,350 |
| Earned surplus (\$19,574,100 restricted at October 31, 1959, under bank loan agreement) | | 23,450,343 | 21,342,325 |
| | | <u>\$27,876,243</u> | <u>\$25,488,725</u> |
| | | <u>\$53,856,096</u> | <u>\$51,242,059</u> |

UTAH CONSTRUCTION & MINING CO

STATEMENTS OF INCOME for the Years Ended October 31, 1959 and 1958

| INCOME: | 1959 | 1958 |
|---|---------------------|---------------------|
| Gross revenue from operations | \$30,016,198 | \$32,580,413 |
| Cost of gross revenue | 24,497,899 | 31,087,548 |
| Gross profit from operations | \$ 5,518,299 | \$ 1,492,865 |
| Dividends from subsidiaries and affiliates (Note 1) | 1,491,683 | 2,752,728 |
| Gains on sale or liquidation of investments | 610,937 | 1,660,786 |
| Gains on sale of property and equipment | 1,291,117 | 281,442 |
| Other | 417,317 | 452,169 |
| | <u>\$ 9,329,353</u> | <u>\$ 6,639,990</u> |
| EXPENSES: | | |
| General and administrative expense | \$2,880,399 | \$ 2,701,198 |
| Employees' retirement plan provision | 620,000 | 205,000 |
| Interest | 890,985 | 726,074 |
| | <u>\$ 4,391,384</u> | <u>\$ 3,632,272</u> |
| NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAXES | \$ 4,937,969 | \$ 3,007,718 |
| PROVISION FOR FEDERAL INCOME TAXES (Note 3) | 600,000 | 1,100,000 |
| NET INCOME (including in 1959 a reduction of \$700,000 in Federal income taxes) | <u>\$ 4,337,969</u> | <u>\$ 1,907,718</u> |

Provisions for depreciation and amortization included above total \$2,008,183 for 1959 and \$2,215,355 for 1958.

STATEMENT OF EARNED SURPLUS for the Year Ended October 31, 1959

| | |
|--|---------------------|
| BALANCE OCTOBER 31, 1958 | \$21,342,325 |
| ADD—Net income as described above | 4,337,969 |
| | <u>\$25,680,294</u> |
| DEDUCT—Cash dividends on capital stock—\$1.25 per share | 2,229,951 |
| BALANCE OCTOBER 31, 1959 (\$19,574,100 restricted under bank loan agreement) | <u>\$23,450,343</u> |

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. The company's equity in the undistributed earnings of subsidiary and affiliated companies (based on reports submitted by the companies some of which are unaudited) amounted to approximately \$2,850,000 for the fiscal year 1959 after allowance for estimated income taxes payable on such earnings when distributed. The company's equity in the market value or underlying book value at October 31, 1959, of its investments in subsidiary and affiliated companies was approximately \$31,800,000. Included in this amount was \$16,829,209 representing the approximate market value of the company's investment in Lucky Mc Uranium Corporation computed at \$4.625 per share.

2. The company was contingently liable at October 31, 1959, for obligations of certain affiliated companies totaling approximately \$4,534,000. The company has entered into a long-term lease agreement for equipment requiring payments of approximately \$420,000 annually for a remaining period of 14 years.

3. Federal income taxes in 1959 have been reduced by \$700,000 as a result of joint venture losses recorded in prior years but not reported for tax purposes until the current year. Federal income taxes in future years may be reduced as a result of other joint venture losses recorded on the books prior to October 31, 1959, but deductible for income tax purposes in subsequent years.

4. Certain amounts for the year 1958 have been reclassified for purposes of comparison.

ACCOUNTANTS' REPORT

ARTHUR ANDERSEN & Co.
ACCOUNTANTS AND AUDITORS

600 CALIFORNIA STREET
SAN FRANCISCO 8

To the Board of Directors,
Utah Construction & Mining Co.:

We have examined the balance sheet of UTAH CONSTRUCTION & MINING CO. (a Delaware corporation) as of October 31, 1959, and the related statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the financial position of Utah Construction & Mining Co. as of October 31, 1959, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

San Francisco, California,
December 15, 1959.